The Active Manager

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Index

NAAIM Approved as an IAR CE Credit Course Provider at 2025 Uncommon Knowledge Conference

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Meet the key presenters at the 2025 Uncommon Knowledge Conference. Topics and profiles on page 2.

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President's Letter

Barry Arnold

NAAIM'S ANNUAL UNCOMMON Knowledge Conference is coming up May 4-7 in beautiful Costa Mesa, California. This is our biggest conference of the year with a robust agenda, a great line up of sponsors and a lot of networking opportunities. If you haven't made plans to come yet, there's still time to register. https://naaim.org/uncommon-knowledge-conference/

If you've decided to sit this one out, I would like to tell you why I think NAAIM is the *"best kept secret in the financial industry"* and five reasons why Uncommon Knowledge is a must-attend event (or consider our Outlook Conference in the fall).

1. 2025 is shaping up to be a crazy, volatile year. The "Tariff Tantrums" are creating a big dose of uncertainty … and uncertainty is the stock market's greatest nemesis. NAAIM members focus on the market … not opinions, not agendas, and certainly not "buy-and-hold."
2. At NAAIM, you are going to learn new ideas … whether it be unique investments, strategies or business practices … all in the name of boosting your firm to the next level.
3. You will get to hang out for four days with some of the most brilliant minds in the business who think outside of the traditional investment box.
4. We are a very collaborative group. While some may not divulge their "secret sauce", many do! More importantly, this Conference opens your mind to new ways to manage your client portfolios and your business, and thusly, achieving excellence.
5. You have the opportunity through networking to build relationships with people who believe in active management, who share your fascination with technical analysis and quant-driven models and who are always asking How? and Why?

I've been in this business for 40 years. I first joined NAAIM in 2017 and went to my first Uncommon Knowledge conference in 2018. By that measure, I am a greenhorn. Many members have been involved in NAAIM for 2-3 decades (yes, the organization is that good!). But we all share one belief … this is the most important industry conference we attend each year!

In 2020, I was asked to be on the NAAIM board, and in 2024 I was honored to be elected as NAAIM president. So yes, I am biased and an "insider." That said, I have been able to develop close friendships, business partnerships and a multitude of opportunities that never would have existed without

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Uncommon Knowledge –
Like no other conference you have ever attended

Program Highlights

MONDAY

Owning Hard Choices: Risk has a real cost again - Tony Nash, founder of Complete Intelligence

Tony Nash is the CEO and Founder of Complete Intelligence, an artificial intelligence platform for enterprise & financial market forecasting. He also runs a small coffee roastery called Nerd Roaster and writes geopolitical analysis for *Cloak & Dagger*.

Previously, Tony built and led the global research business for *The Economist* (EIU) and the Asia consulting business for IHS (now S&P). He has also been a social entrepreneur, media entrepreneur, writer and consultant. Tony is a frequent public speaker and leader of closed-door dialogues with business and government leaders on markets, economics, risk and technology. He is a contributor to leading global media (BBC, CNBC, Bloomberg, etc.) and has served as an advisor to government and think tanks in Tokyo, Singapore, Beijing, Washington DC and others.

Tony is an International Advisory Board member for Texas A&M University has been a non-executive director with Kredit Microfinance Bank in Cambodia. He holds a master's degree in International Relations from the Fletcher School of Law & Diplomacy at Tufts University and a BA in Business Management from Texas A&M University.

How to Avoid Being Sued, Publicly Shamed, and Losing Clients: Cybersecurity for Investment Advisors - John Siggard, CEO and Owner, Superior Technical Solutions

Are you doing enough to protect their data and your firm's reputation? A single cybersecurity breach can lead to devastating lawsuits, regulatory fines, and the loss of client confidence. **John Siggard** dives into real-life cybersecurity disasters that cost investment advisors millions and shattered their reputations. He'll debunk common myths, like "My custodian handles security" or "I'm too small to be a target," and expose the gaps that leave advisors vulnerable to hackers, lawsuits, and compliance violations. More importantly, John provides concrete, actionable steps to safeguard your practice. From SEC compliance to practical cybersecurity measures, you'll learn how to fortify your systems, protect client assets, and avoid becoming the next cautionary tale. Cybersecurity isn't just an IT issue—it's a fiduciary responsibility.

John is the founder of Superior Technical Solutions (STS) and IT4Eyes, two Managed Service Provider (MSP) companies based in Washington, Utah. Since launching STS in 2009, he has specialized in cybersecurity, network analysis, security risk assessments, and IT support. With more than 25 years of IT experience, John has built a team renowned for its exceptional service, earning STS the 2024 Soteria Award as one of North America's most trusted MSPs. He is also the co-author of **Cybersecurity: The Silent Battlefield**, further establishing his expertise in the industry. He is part of a top 100 MSP group that meets quarterly to discuss security concerns, IT trends, and proactive threat management.

continued on next page

Successful Succession Planning - Mark Delfino, Vice Chair and Steve Taddie, CBE, CFM, Senior Wealth Advisor - Focus Partners | Wealth

Most advisors acknowledge that succession planning is important, yet it is rarely done well. This session explores the what, why and how of succession planning while offering real life examples from two seasoned advisors/leaders who share their own succession journeys and outcomes.

Mark Delfino is Vice Chair of Focus Partners | Wealth, a leading fiduciary advice firm managing over $100B in AUM. Prior to that, Mark was CEO and Senior Managing Partner of HoyleCohen, a Focus Financial Partners firm, growing it more than 10x in 17 years. He has extensive experience in succession planning and mergers and acquisitions.

Steve Taddie has more than 30 years of professional experience in the investment field, specializing in establishing economic outlook and forecasting and leading teams that provide custom-tailored management of stock and bond portfolios and investment fiduciary work for employer-sponsored retirement plans. He was a co-founder and managing partner of Stellar Capital Management, which merged with HoyleCohen in 2020. Steve joined Focus Partners Wealth through the firm's merger with HoyleCohen.

TUESDAY

AI Revolution in Active Management: From Theory to Practice - Dr. Tal Schwartz, Founder and CEO of AI Funds

AI is transforming how active managers approach portfolio construction and market analysis. **Dr. Tal Schwartz** examines how AI technology addresses Modern Portfolio Theory's limitations by incorporating human-centric risk measures that better reflect investor psychology. Explore how machine learning can identify market patterns while Large Language Models (LLMs) streamline research and enhance client communications. Discover practical strategies for integrating AI capabilities into your investment process as technology continues to reshape the active management landscape.

Dr. Schwartz is the Founder and CEO of AI Funds, launched with the mission to democratize AI-powered strategies for every investor. With a Finance doctorate from Cornell University, Tal bridges academic research with practical investment application. His proprietary BAILA system leverages Bayesian analysis to identify market patterns and optimize portfolios for human-centric risk measures.

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NAAIM Approved as an IAR CE Credit Course Provider at 2025 Uncommon Knowledge Conference

NAAIM HAS BEEN OFFICIALLY APPROVED BY the North American Securities Administrators Association (NASAA) as an Investment Adviser Representative Continuing Education (IAR CE) credit course provider. This new benefit will be available to all attendees at the **2025 Uncommon Knowledge Conference,** taking place **May 5-7 at the Westin South Coast Plaza in Costa Mesa, California.**

As part of NAAIM's commitment to delivering exceptional value to its members and conference attendees, **there will be NO additional fees** for these CE credit hours. Conference attendees will have the opportunity to earn **up to 6 hours of CE credit**—half of the annual CE requirement. Attendance will be taken to ensure credit eligibility, making it easier than ever to stay compliant while engaging in the top-tier education and networking opportunities that Uncommon Knowledge provides.

NAAIM's Uncommon Knowledge conference is recognized as **the pre-eminent event for active investment managers,** bringing together industry leaders, innovative thinkers, and forward-looking strategies to help advisors stay ahead in today's ever-changing market environment. With the added benefit of IAR CE credit availability, participation is even more rewarding.

In addition to fulfilling a significant portion of your CE requirements, attendees will have access to:

- **Cutting-edge investment insights** presented by experts in active management
- **Dynamic networking opportunities** with fellow investment professionals
- **Insights** from top industry speakers and thought leaders
- **Interactive discussions** designed to sharpen your competitive edge

Make your conference and hotel reservations today and take advantage of this powerful combination of education, networking, and professional growth. For updated information and registration details, visit naaim.org.

Uncommon Knowledge 2025

Sunday, May 4

11:30 AM	Golf Tournament – Tijeras Creek Golf Club
12:00 PM	Pickleball – Westin South Coast Plaza
4:00 – 6:00 PM	Solo Advisor Meeting
7:00 PM	NAAIM Welcome Party

Monday, May 5

7:00 – 8:30 AM	NAAIM Board Meeting
7:30 – 8:30 AM	New Member Welcome Orientation & Breakfast 7:30 AM Registration | Sponsor Hall Opens
8:30 AM	**Welcome** – Barry Arnold, NAAIM President
8:45 – 9:45 AM	**Owning Hard Choices: Risk has a real cost again -** Tony Nash, Complete Intelligence
9:45 – 11:00 AM	**Successful Succession Planning** - Mark Delfino and Steve Taddie, Focus Partners | Wealth
11:00 – 11:30 AM	Refreshment Break – Sponsor Hall
11:30 – 12:30 PM	**30 Ideas in 30 Minutes: Your Marketing Wins & Lessons** – An interactive open mic session.
12:30 – 1:45 PM	Lunch and Sponsor Introductions
1:45 – 3:00 PM	**How to Avoid Being Sued, Publicly Shamed, and Losing Clients: Cybersecurity for Investment Advisors -** John Siggard, Superior Technical Solutions
3:00 - 3:45 PM	**Gold Sponsor Breakouts** A. TRENDRATING B. REX Shares
3:45 – 4:15 PM	Refreshment Break
4:15 – 5:15 PM	**NAAIM Exchange LIVE!** Experience our monthly get togethers live. Bring a chart or favorite indicator to share. Moderator: Barry Arnold
5:15 – 5:45 PM	Break before evening event
5:45– 9:00 PM	**Platinum Sponsor Hosted Event** –City Cruises – Newport Beach. Dinner excursion on The Wildgoose (previous owner - John Wayne)

Tuesday, May 6

7:30 – 8:30 AM	Continental Breakfast – Sponsor Hall
8:30 - 9:30 AM	**AI Revolution in Active Management: From Theory to Practice –** Tal Schwartz, Ph.D., AI Funds, Inc.
9:30 – 10:45 AM	**0 to $100M in <2.5 years: Using planning, technology, and process to attract and retain clients** – Mark Cecchini, Wealth Solutions, Quadrant Capital
10:45 – 11:15 AM	Refreshment Break – Sponsor Hall
11:15– 12:15 PM	**Portfolio Management Using Relative Strength -** Zoe Bollinger, CFP, Bollinger Capital Management
12:15– 1:45 PM	Lunch / Annual membership meeting
1:45 – 3:00 PM	**What the Heck is going on with the SEC? Navigating Regulatory Shifts in a Changing Landscape -** Leila Shaver, The RIA Lawyer
3:00 – 3:45 PM	**Gold Sponsor Breakouts** **A.** AXOS Advisor Services **B.** Kingsview Investment Management
3:45: 4:15 PM	Refreshment Break – Sponsor Hall
4:15 – 5:45 PM	**NAAIM Round Tables** (Two 40-minute segments). **Topics:** 1. a. **Quantitative & Technical Trading** – Moderator: Zoe Bollinger b. **Custodians** – Moderator: Josh Kneller c. **Financial Planning** – Moderator: Laura Redfern 2. a. **Marketing** b. **AI In Your Practice** – Moderator: Tal Schwartz c. **Technology** – Moderator: Jacob Dechenes
6:30 – 9:00 PM	**NAAIM All Conference Event – Dinner and Cornhole Tournament**

Wednesday, May 7

7:30 – 8:30 AM	Continental Breakfast – Sponsor Hall –
8:30 - 9:30 AM	2025 1st Place Founders Award Winner **- Trend-Emotion-Timing** - Oliver Reiss, Ph.D, Tremti GmbH
9:30 – 10:30 AM	**Investing in a World of a Few Good (Or Not So Good) Men -** Peter Atwater, Financial Insyghts
10:30 – 11:00 AM	Refreshment Break – Sponsor Hall
11:00 – 12:00 PM	**How Individual Stock Selection Generates Alpha Over Passive Index Benchmarks -** NAAIM Member Panel: Asher Rogovy, Magnifina; Jim Lee, StratFI; Jim Bernstein, QEX Asset Management. Moderator: Jacob Deschenes, Era Capital Management
12:00 – 1:00 PM	**Closing Lunch**
1:00 PM	**Conference Ends**

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$0 to $100M in < 2.5 years: Using planning, technology, and process to attract and retain clients – Mark Ceccini, CFP® Director, Wealth Solutions, Quadrant Capital

Mark Cecchini is a seasoned wealth advisor who has spent over a decade guiding founders, employees, and entrepreneurs with all things money. Through a practice built on comprehensive planning and high-touch service, he has helped his clients navigate equity compensation, liquidity events, and the complexities of a fast-paced career — catapulting his practice to $100 million in assets under management in less than 2.5 years. Beyond serving clients, Mark elevates the next generation of financial professionals as an instructor for UCLA Extension's Personal Financial Planning Program and creates intuitive social media content on X and Linkedin.

What the heck is going on with the SEC? - Leila Shaver, Founder and Managing Partner of My RIA Lawyer

Leila Shaver will discuss the SEC's priorities, changes that have happened and will likely happen under the Trump administration, and how to ensure compliance AND growth in your firm. Leila brings nearly a decade and a half of experience providing legal and compliance guidance to the financial services industry with a healthy dose of energy, fun and full transparency. Her boldness with regulators, comfort with working in the gray, and experience as CCO and General Counsel to multi-billion dollar companies, has made her the go-to provider in the independent advisor space. Leila is sought after not only for her expertise, but for her willingness to help business owners meet their business goals while complying with state and federal regulation. By changing the experience clients have with My RIA Lawyer, Leila is changing how firm owners view compliance and legal providers, not as business prevention departments, but business growth consultants.

WEDNESDAY

Investing in a World of a Few Good Men (or Not So Good Men) - Peter Atwater, President of Financial Insyghts

Peter Atwater is president of Financial Insyghts and a recognized expert on the impact of confidence on individual and group decision-making. If you've heard of the "K-Shaped Recovery," it is because of Peter. He coined the term to capture the confidence divide he saw during COVID and how it was likely to impact the economy ahead. In his 2023 book, **The Confidence Map**, Peter shares the tools and framework he uses in his work. After reading the book, Nobel Prize winner, Daniel Kahneman shared, "I have long believed that overconfidence and illusions of control as key determinants of risk taking, but your map makes it necessary to consider possibilities that I had ignored."

As president of the independent research and consulting firm, Financial Insyghts, Peter helps investors, business leaders, coaches, and public policymakers understand, better anticipate, and adapt to changes in confidence. He also serves as Adjunct Lecturer in the Economics Department at his alma mater, William & Mary.

In his 2023 book, **The Confidence Map**, Peter shares the tools and framework he uses in his work. After reading the book, Nobel Prize winner, Daniel Kahneman shared, "I have long believed that overconfidence and illusions of control as key determinants of risk taking, but your map makes it necessary to consider possibilities that I had ignored."

Trend – Emotion – Timing – Dr. Oliver Reiss, Tremti GmbH

NAAM is pleased to welcome Dr. Oliver Reiss, Managing Director Tremti GmbH and winner of the 2025 NAAIM Founders Award for his outstanding white paper Trend - Emotion – Timing. Dr. Reiss will present his paper on Wednesday morning at the 2025 Uncommon Knowledge conference. If you would like to know more about Dr. Reiss in advance of his presentation, visit www.TremtiCharts.com; www.Tremti.de; or https://www.linkedin.com/in/dr-oliver-reiss/.

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2 Select strategies

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3 Conduct ongoing oversight

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Daily Inverse Index Correlation Risk – A number of factors may affect the Bear Fund's ability to achieve a high degree of inverse correlation with the Index and therefore achieve its daily inverse leveraged investment objective. The Bear Fund's exposure to the Index is impacted by the Index's movement. Because of this, it is unlikely that the Bear Fund will be perfectly exposed to the Index at the end of each day. The possibility of the Bear Fund being materially over- or under-exposed to the Index increases on days when the Index is volatile near the close of the trading day.

Financials Sector Risk —Performance of companies in the financials sector may be materially impacted by many factors, including but not limited to, government regulations, economic conditions, credit rating downgrades, changes in interest rates and decreased liquidity in credit markets.

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Looking Back to Move Forward

COLIN DENNEY

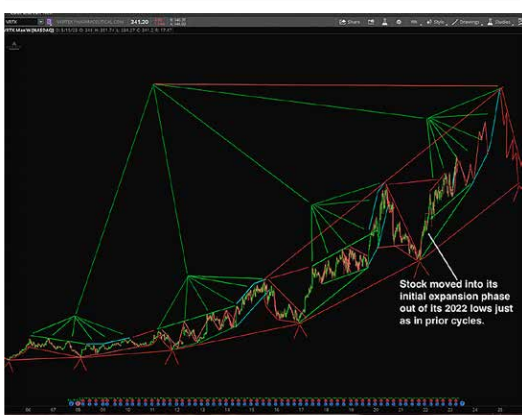
“History doesn’t repeat itself, but it often rhymes.” -Mark Twain

WE HAVE ALL HEARD THIS QUOTE OR SOME variation of it. Often it comes in the context of political ideas and leaders or in the context of historical events and their relevance to current day happenings. As active managers, we likely adopt this concept by studying economic history and using different traditional technical analysis techniques to see how prices have reacted under varying conditions. An often-overlooked application of this concept can be found in its simplest form, the historical and repeating price patterns of individual instruments, generally not known to exist.

Generally, patterns that are used today by traders and technicians are limited to universal patterns such as head and shoulders, double tops and bottoms, flags and others along with anomalies such as periods of seasonal strength and weakness. While these can be useful, what if a road map could be given for each instrument with its own unique pattern, like a fingerprint?

It can often be quite difficult for those unfamiliar with this style of historical and repeating pattern analysis to see the patterns on a raw price chart. It is helpful to use markers to indicate different positions within a pattern cycle. Take for example the below charts of Vertex Pharmaceuticals Inc (VRTX). Note the three previous repeating cycles that have the same pattern indicated by the lines to show similarity in positioning. Additionally, the fourth cycle has been forecasted beginning with the red lines in late 2020.

Vertex Pharmaceuticals, Inc.



More than four years later, we can see that the price again followed its historical repeating pattern just as forecasted.

It is helpful to review additional examples from recent history of these before and after pattern forecasts to give a more thorough understanding of how powerful this type of analysis can be. Below you will find before and after charts for TSLA, GLW, and GE. These are just a handful of examples out of the thousands of unique patterns that we have witnessed in the market.

The Tesla (TSLA) chart below shows our forecast beginning in October 2024. Over the next two months, the stock followed the forecast for a nearly 100% parabolic move into December.

TSLA:

GLW:

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Looking Back to Move Forward

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Each of these before and after examples were covered months and years in advance. Pattern analysis has proven itself as a viable form of forecasting price movement in a way that many other methods have failed. These patterns can be seen in all tradable instrument types from stocks to futures, to the broader indexes just as we see patterns appear throughout the natural world around us.

As we look deeper into these patterns, there are universal laws that we have observed. One of the most important factors to consider when projecting these is the irrefutable fact that these patterns expand in size as price appreciates. Similarly, we see the opposite as price contracts. This is a key concept known as scale invariance. In physics, scale invariance refers to a system's ability to retain its fundamental characteristics regardless of the scale at which it is observed.

In the examples above, we see this most notably in Corning, Inc. (GLW). During its earlier years of the pattern cycle, its expansion moves were smaller and had a flatter angle. As price expanded and we moved out in time, these expansion moves grew and additionally had an angle adjustment. Each time that the stock traded out of its corner lows, the expansion move was steeper and higher than all previous cycles. This is due to the law of scale invariance.

While this concept of scale invariance is vitally important to understand and consider in pattern forecasting, there are other outside factors that can arise. As such, a forecast may need adjustments as new price data presents itself. In the case of General Electric Co. (GE) for example, it seems to disregard this law during its most recent expansion move. This expansion is larger and has a steeper angle even though price has experienced continuous contractions since the tech bubble in 2000. Why then is this contradicting the law of scale invariance? The answer can be found in the COVID low of March 2020. Notice how in late 2018 the stock initially bottomed

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Please Note: If you have already attended these presentations in the past, you will not be eligible to receive IAR or CFP Continuing Education credit. New IAR and CFP credits will be offered at our June 5, 2025 Conference.

Looking Back to Move Forward

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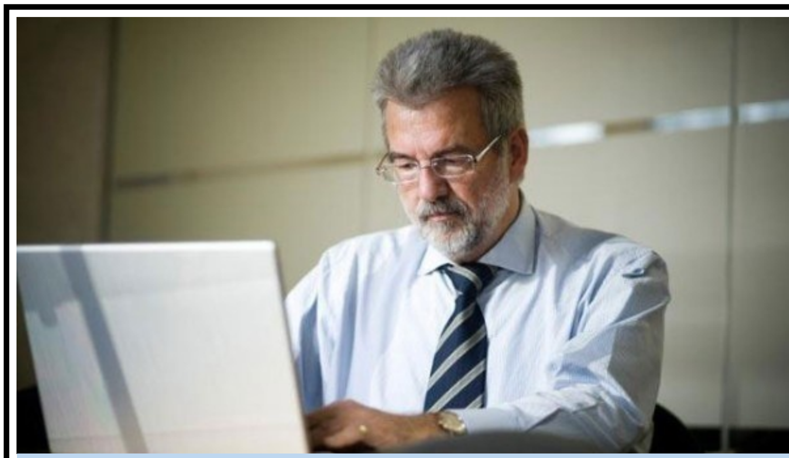
and had made significant progress out of its low. Due to its pattern, a choppy channel was expected on its way out of these lows. However, the COVID sell-off added additional selling pressure and caused an oversold condition to occur in the form of both price and time. Not only was the stock oversold from a price standpoint, but it was delayed in its move out of the initial low. As a result of this, we saw the price expansion move significantly steeper and further than previous cycles to make up for this oversold condition. Newton's third law of motion says, "For every action there is an equal and opposite reaction." That is exactly what has happened in the case of GE and its pattern. It is simply reflecting the oversold condition brought about by COVID. This can be seen across thousands of instruments in the market.

As active managers, one of our most important goals in managing assets is to manage our risk exposure. Many achieve this by looking to moving averages, referring to exposure reports, or reviewing the performance of "risk-on" asset classes such as high yield bonds. Pattern analysis should first and foremost be used as a risk model. In the case of Tesla for example, beginning in October of 2024, we recognized that the stock was positioned in a place where, historically, it has achieved the greatest price expansion in the shortest time-frame. By recognizing this, we can avoid exposure to the stock during periods of extended consolidation or when the stock has an elevated risk of being sold off. As TSLA traded up near the $500 level as forecasted in the second scale pattern, it was an indication to begin reducing risk as the stock was nearing the top of its measured expansion phase. As of mid-March 2025, the stock is now over 50% off its December 2024 highs and continues to repeat its pattern.

If you are interested in viewing additional examples of our Pattern Analysis research, we invite you to visit our website stetinvest.com or reach out to Colin Denney for any additional questions or requests you may have at colin@stetinvest.com.



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Reduced Federal Oversight: A Double-Edged Sword

JEREMY BAUMRUK

AS THE FEDERAL GOVERNMENT IMPLEMENTS significant budgetary cutbacks - driven by a new Department of Government Efficiency (DOGE) initiative - U.S. financial institutions are facing an evolving regulatory landscape. These budget cuts have resulted in reduced agency capacity, meaning that key regulators like the SEC and OCC are now overseeing fewer institutions and conducting fewer examinations. This decrease in active supervision creates an uneven playing field: while larger institutions may enjoy a temporary reprieve from stringent oversight, smaller FIs continue to be closely monitored by their local regulators.

The resulting regulatory "vacuum" not only pressures larger institutions to self-regulate with extra vigilance but also risks creating compliance and enforcement gaps. When consumer protection exams and regulatory reviews become less frequent, institutions may be tempted to let internal controls slip, a scenario that could lead to significant legal and reputational risks once normal enforcement resumes or when state regulators and private litigants step in.

Adding to the challenge is the evolution of cybersecurity. Budget constraints have forced agencies such as the Cybersecurity and Infrastructure Security Agency (CISA) to suspend or scale back critical programs, including initiatives like the Cyber Incident Reporting for Critical Infrastructure Act (CIRCIA). These rollbacks, coupled with mass layoffs in government cybersecurity teams, have diminished the federal capacity for early threat detection and timely information sharing. As a result, institutions that rely on comprehensive threat intelligence feeds and rapid cybersecurity alerts may find that these sources are now less robust or subject to delays until alternative solutions emerge. In this context, it is imperative for FIs to develop internal expertise and rely on industry-based threat intelligence to stay ahead of potential cyber threats.

Mitigating The Risk

Addressing these obstacles means financial institutions must adopt a proactive stance. A key strategy is to double down on internal compliance programs. Maintaining robust internal controls is essential, regardless of the current pace of regulatory oversight. This means continuing regular audits in high-risk areas such as consumer protection and data privacy—even when external examinations are sparse. Engaging directly with regulators to seek clarification on expectations during this transition can also reduce uncertainty and help institutions better align their practices with evolving regulatory priorities. Networking with industry peers through associations further enables institutions to share insights and strategies, creating a collaborative environment for tackling compliance challenges.

Furthermore, given the current reduction in government cybersecurity support, it is crucial for institutions to bolster their own cyber defense capabilities. This can be achieved by investing in experienced cybersecurity professionals—particularly as layoffs in the public sector may make top talent more available—and by providing ongoing training for IT teams on emerging threats. Participating in information-sharing groups can also help institutions receive timely threat alerts. Alongside these measures, revisiting incident response and business continuity plans is critical, especially under the assumption that key elements of critical infrastructure like power and telecommunications could face disruptions. In short, being prepared with training and threat intelligence sharing strategies will ensure that institutions can continue operating smoothly even when external support may be slower than in the past.

American FIs are operating in a challenging environment of change: federal budget cuts have trimmed the very agencies that oversee financial services and support cybersecurity, while regulation and policy are being challenged. The implications for regulatory compliance, risk management, and cybersecurity are profound. Institutions may enjoy a brief respite from intense oversight, but this comes with the trade-off of greater responsibility to self-manage risks. Cyber threats, meanwhile, are not taking any breaks – if anything, adversaries might seek to exploit any perceived weakness during government transitions. For institutions that lack the internal resources to keep pace with these shifting regulatory and cybersecurity challenges, outsourcing compliance and risk management can be a strategic advantage. Partnering with experienced compliance and cybersecurity professionals ensures that your institution remains vigilant, adaptive, and fully prepared—without stretching internal teams too thin or needing to hire expensive internal resources. By understanding these dynamics and acting proactively, financial institutions can turn this period into an opportunity.

Jeremy Baumruk is Director of Risk & Compliance at Xamin. Xamin holds SOC 2 Certification from the American Institute of Certified Public Accountants (AICPA), which developed the Service Organization Control (SOC) 2 report, creating standards for any company storing customer data to minimize risk and exposure. As a member of the leadership team, Jeremy is a key voice in the creation and implementation of organizational goals and Xamin's mission to help organizations have a clear understanding of how technology and cybersecurity provide a strategic advantage.

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Going Active in Small-Cap Blend

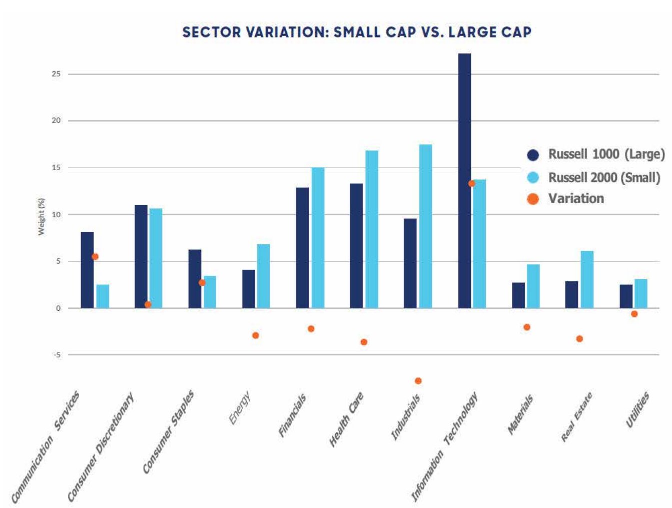
DAVID SELBOVITZ, CFA, CAIA

SMALL-CAP EQUITIES ARE AN IMPORTANT component of an investor portfolio as they provide access to invest in innovative companies in the formative stage of their development.

- The profile of the Russell 2000® Index varies meaningfully relative to small-cap blend and large-cap peers.
- There are risks inherent with passive (index) investing, which is an investing strategy that intends to replicate the performance of benchmark indexes such as the Russell 2000 Index.[1]
- As many investors have implemented exposure through index investing, a blend of active small-cap solutions can be an effective way to generate risk-aware returns.

The small-cap profile

The small-cap universe is represented by the Russell 2000® Index, whose companies tend to be more specialized than those of the more diversified large-cap Russell 1000® Index.[2] From a valuation standpoint, this might suggest that large-cap companies could potentially be more exposed to economic or industry-specific shocks. This disparity is also highlighted by the variation of the sector composition of both indexes (as shown below).



Source: FTSE Russell. As of June 30, 2023.

While the Russell 1000 is heavily weighted with technology stocks, the Russell 2000 is more balanced from a sector perspective and is not as reliant on a single industry. However, the relatively higher risk profile of small-cap stocks has likely translated into the higher volatility of Russell 2000 versus Russell 1000 returns. The composition of the Russell 2000 is quite diverse and includes a significant group of companies with high leverage, no or negative earnings, and low liquidity.

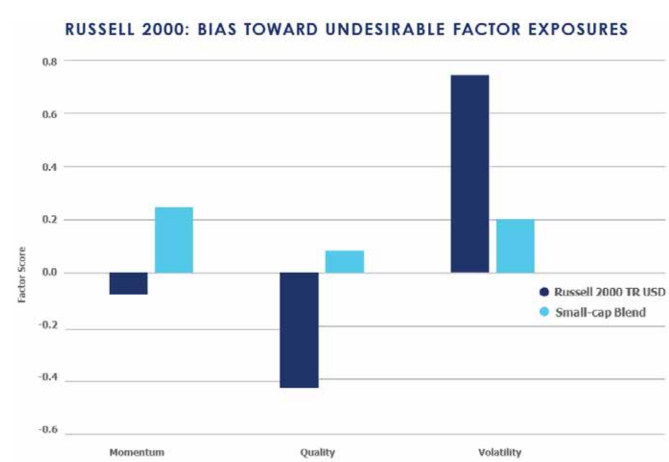
The Russell 2000 has the following fundamental characteristics:[3]

- Is trading at 53x free cash flow (highly levered).
- 40% of its companies have negative earnings (or are non-earners).
- A quarter of the index has a market cap below $1.8 billion.

A discussion of risk

Small caps could potentially be the riskiest investment in a plan lineup as they have historically averaged a 45% steeper drawdown than large caps.[4] And the Russell 2000, like other benchmarks, can be a risky form of accessing an opportunity set, although many investors view passive investing as low risk because there is little or no tracking error. This comes from active selection risk, as tracking error is the difference in returns between an active portfolio and a benchmark (target index). However, index investing carries with it the potential to incur total risk (as measured by standard deviation), market risk (beta), and factor risk. Factor risk is a much greater component of overall risk – and driver of return (both positive and negative) – as compared to stock-specific risk.

The factor composition of an index changes over time as a result of market leadership, which means that there is an inherent momentum bias in market cap-weighted indexes. Simply, the segments of the market that have done well (relative to others) will constitute an increasing weight. This may expose investors to different risks over time due to the over-weighting of securities that could have peaked before heading to a decline. The chart below shows the factor profile of the Russell 2000 (dark blue) and the small blend category (light blue). The index has higher exposure to volatility, and lower exposure to quality and momentum. These style factors help explain returns and risk within asset classes, as volatility is closely associated with risk, quality companies generally have strong earnings and stable balance sheets, and momentum focuses on stocks that have performed well in defined periods.



Source: Morningstar Direct as of June 30, 2023.

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Going Active in Small-Cap Blend

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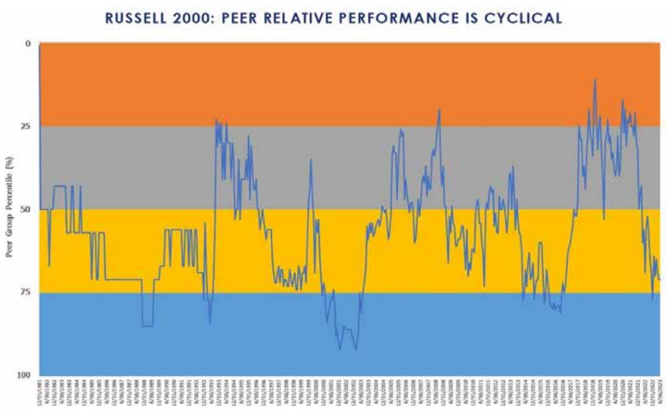
Shift to passive, need for active

Many investors have implemented small-cap exposure through passive index investing. And while that had been a successful approach over the second half of the last decade, we believe the unique characteristics of small caps require prudent active oversight.

The performance of the Russell 2000 has been historically strong relative to its small-cap blend peers. This has resulted in an increasing shift by investors to passive vehicles in order to reduce fees. In fact, 46% of Morningstar Small Blend assets are passive, up from 37% five years ago prior.[5] The chart below details rolling three-year returns of the index since its inception in 1979. The current rolling three-year performance of roughly the 25th percentile is at the high end of prior cycle relative performance peaks.



Source: Morningstar Direct as of June 30, 2023. Rolling three-year return.

Threading the needle

The primary rationale for being active in small-cap blend is risk based, with skilled active managers focusing on risk management and deciding what to own (and what not to own). While going passive in small-cap blend may appear to be a simple decision, in the end it might include preventable complications. A skilled active manager can provide risk-aware returns across a variety of market environments, not just in times of volatility.

Our open-architecture platform has the potential to identify optimal investment solutions across asset classes and investment styles. We seek to provide style purity and consistency of performance with less risk by building investment solutions with world-class investment managers who specialize in their respective asset classes (such as small-cap blend). The multiple-manager design utilizes independent investment firms that thread the needle to provide additional diversification benefits and risk management to help create consistent, durable returns.

1 Indexes cannot be purchased directly by investors.
2 Source: FTSE Russell as of June 30, 2023.
3 Source: FactSet as of June 30, 2023.
4 Source: Morningstar Direct as of June 30, 2023.
5 Source: Morningstar Direct as of June 30, 2023.

This material is educational in nature and does not constitute a recommendation to engage in or refrain from a particular course of action. The information within has not been tailored for any individual. Author David Selbovitz, CFA, CAIA, is Head of Portfolio Strategy & Analytics MassMutual Investments.

GOALS-BASED INVESTING

Tactical Allocation Models (TAM)

The integration of behavioral finance principles into tactical asset management strategies represents a new alternative in portfolio construction and risk management. Behavioral finance, which examines the psychological influences on financial decision-making, can provide valuable insights into investor behavior patterns, cognitive biases, and emotional responses to market events. By incorporating these insights, the KIM Tactical Allocation Models (TAM) are designed to help mitigate common behavioral pitfalls such as loss aversion, overconfidence, and herding behavior. This integration creates investment approaches that attempt to optimize financial outcomes and potentially help achieve long-term investment goals.

MULTI-LAYERED PROTECTION

The investment landscape is constantly evolving, and with it, the strategies employed to manage risk and optimize returns. The Volume Factor risk overlay is designed to outperform passive indexes in perceived bull markets while adopting a defensive posture during perceived bear markets. This dynamic strategy aims to limit downside risk without imposing upside caps by shifting portions of the portfolio to a defensive stance as proprietary thresholds are triggered, offering investors the potential for enhanced returns in unfavorable market conditions. This is where buffered ETFs come into play, offering complementary protection. A buffered ETF, when invested during the entire outcome period, is designed to avoid the first 9-20% of losses. This symbiotic relationship allows investors to maintain exposure to potential market gains while partially mitigating the impact of initial market declines in certain areas of the portfolio.

Multilayered Defense (Wide Moat, High Walls, Strong Towers)

Smoothing Out The Ride:
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Navigating Volatile Equities Markets Requires Better Data and Technology

ROCCO PELLEGRINELLI

THE 2025 STOCK MARKET LOOKS TO BE MORE challenging due to current economic and political scenarios.

Trendrating provides a multi-factor model to analyze medium-term price trends and assign a rating, based on the true direction and quality of trends, measuring the buying vs. the selling pressure - the key element governing trends. A pragmatic assessment and respect for actual trends is part of a wise and safe investment decision process.

Since early February, our model has generated nearly three times as many downgrades versus upgrades across all US stocks. In the large-cap universe back in December 2024 our model identified 76% of the stocks in a bull trend and 24% in a bear phase. As of mid-March, the ratio is 52% to 48%. For the mid-cap universe, the ratio moved from 72% vs. 28% to 46% vs. 54%; and in the small-cap camp, from 65% vs. 35% to 39% vs. 61%.

Using the same methodology, it is possible to measure the strength across US sectors and monitor the rotation. Where is the money moving? Financials 66/34, Utilities 64/26, Information Technology 37/63, Health Care 33/67. The market has become more selective, and this process may continue for some time.

Active managers can profit from performance dispersion across stocks and easily beat the benchmarks. Having an exposure to rising stocks that is larger than the exposure of indices can easily deliver superior returns, as the performance of a portfolio is just the combination of the individual trends of the holdings.

What type of data can active managers rely on during times of serious swings and corrections? In our experience, the outperforming stocks share two key elements – carefully selected fundamentals and confirmation of a positive trend in action. The combination of the two factors can support a superior stock selection process.

This is where better information makes the difference. Let's start with the fundamentals. Which fundamental parameters deliver more alpha? Which combinations work best/worst across diverse markets and sectors? Only a solid process of fact finding offers conclusive answers. A rigorous comparative test across past years can provide information and evidence about what works best and what is irrelevant in terms of alpha.

Using our technology, designed to enable the discovery and the validation of useful market intelligence, we unveiled the different fundamental parameters that maximize the returns across different market sectors over different cycles. The returns in some sectors are driven only by growth metrics (Information Technology, Industrials, Consumer Discretionary). Other sectors reward a combination of growth and value (Health Care, Financials). Knowing the right fundamental parameters can help unlock alpha capture.

Now about trends. The confirmation of a positive trend can filter out those stocks that irrespective of good fundamentals are subject to liquidation from some large pool of money, where the selling pressure outweighs the buying flow. Getting confirmation on stocks that start a correction phase whose magnitude and duration cannot be forecasted requires the proper technology.

It is advisable to save time and filter out the noise that is produced by irrelevant data and tools whose real contribution to the investment performance is questionable and cannot be validated.

The right tools can open a whole world of precious knowledge:

- Analyze and compare the true value of any selection parameter, from fundamental, quantitative and trend metrics.
- Explore any combination of parameters, as checking more boxes can lead to a better process.
- Discover the winning mix and build superior strategies and model portfolios.
- Validate the results with hard evidence from rigorous tests with historical substance.
- Document with full transparency the rule-based investment process.

The benefits can be several:

- Enhanced performance
- Improved risk control
- Better compliance
- Differentiating proposition for marketing
- Time saving

Thanks to innovative technology, active managers can get information that is not available in conventional research and services, unlocking the performance dispersion across stocks. The opportunity is there to easily beat the benchmark and gain market share from the passive products providers.

Rocco Pellegrinelli is the Founder and CEO of Trendrating. After many years as a portfolio manager for various Swiss investment firms, Rocco launched Brainpower in 1996 and established it as one of the top portfolio management systems globally until it was acquired by Bloomberg in 2006. Trendrating has been serving hundreds of investment firms since 2014.

President's Letter

CONTINUED FROM PAGE 1

NAAIM. Today, my focus is now on NAAIM's growth, both in terms of membership and awareness. Bear markets ALWAYS follow Bull markets. Active and tactical money management can be the key to huge success, and NAAIM is the holder of that key.

Tariff tantrums, trade wars, tax cut packages, DOGE reveal parties, recession worries and the never-ending game of chess by the Fed and Jerome Powell … there is enough to chew on here for every investor, and 2025 should be a golden opportunity for both active and tactical management, and NAAIM in general. The NAAIM Exposure Index, which looks at our members' equity allocations, is currently at only 49%. This coincides with other sentiment gauges that are overtly bearish. From a contrarian standpoint, that is a positive … but the technicals are shaky at best. Only time will tell.

My firm, Global View Capital, tends to take a long-term view of the markets. Both our intermediate-term and long-term signals have gone negative in the past three weeks and this week, respectively. So, defense for the time being. That said, I am very interested in hearing where our Uncommon Knowledge expert speakers stand on the state of the markets for 2025 and beyond. Additional topics include AI in investing, the future of crypto, cyber security, integrating financial planning, panels on trading strategies and much more! We will also have a special presentation by this year's winner of the NAAIM's Founder Awards white paper competition … not to be missed!

Beyond the business of the day, there's a golf tournament, pickleball face off, cornhole competitions and networking receptions Sunday, Monday and Tuesday nights. The best place to spend breaks is in the sponsor hall where you will meet another great NAAIM resource - our sponsorship partners from the industry. These companies are innovators in active management investment products and services. They not only know their products, they know how different advisors are using them throughout the U.S. and love sharing ways to exploit their wares. You will find speaker highlights, sponsors and more in this newsletter. And new this year: NAAIM is offering CE credits for IARs during our conference … an unwelcome obligation courtesy of the SEC.

As great as they are, there's more to NAAIM than our conferences. Webcasts and webinars provide interactive learning in a live or on-demand format. Several courses offer continuing education credit for Certified Financial Planner® Professionals. *Financial Planning Masterminds* is an online discussion on the second Thursday of each month discussing how financial planning concepts can strengthen client relationships. *NAAIM Confidential* is a 30-minute LIVE stream where NAAIM members take the stage after markets close every Friday to discuss market action, and the trial and tribulations for the week (look for past recordings on NAAIM's YouTube channel).

On a personal note, it's great to have golf season back in Wisconsin to take my mind off the markets (if only for 4 hours). I plan on ripping up (quite literally) my local courses this year.

But first things first. I'm looking forward to a lot of opportunities to catch up with fellow NAAIM members in a couple weeks in Costa Mesa at Uncommon Knowledge, and I hope everyone reading this is among them. See you there!

Have a great spring and upcoming summer … enjoy the markets and either grab the bull by the horns or sidestep the bear … we've got you covered at NAAIM!

Sincerely,

Barry

Barry Arnold
NAAIM President

How MLPs Can Benefit from the AI Investment Cycle

JAY D. HATFIELD

NOW THAT 2024 US ELECTION IS BEHIND US, at Infrastructure Capital Advisors we believe Master Limited Partnerships (MLPs) continue to offer investors exposure to US energy demand increases from technologies related to artificial intelligence. We believe the growth potential from data centers' power demand is still in an early stage and MLPs are positioned to benefit from these demand increases. MLPs are having conversations with data center customers and will likely benefit in 2025 and 2026 after agreements are formalized.

Artificial Intelligence and data centers have opened up new growth prospects for natural gas midstream companies to supply gas-fired power plants. Natural gas plants have some of the shortest times to build and we believe they are best positioned to supply reliable power quickly. Over the past six months, natural gas transportation companies have substantially outperformed liquids transportation companies (as an example, > 30% depending on which companies are included). Natural gas transportation companies have traditionally traded at ~2.0x - 2.5x premium to liquids companies on an EV/EBITDA basis; they are now trading at > 3.5 – 4.0x above liquids.

Over the past few years, MLP companies have successfully transitioned to having positive free cash flow, sustainable dividends, and reasonable leverage levels. Earnings, which historically were low in the MLP space, are now substantially positive and companies trade at reasonable price to earnings ratios of less than 12x (as of 12/31/2024). Additionally, average debt to EBITDA of the MLP sector as a measure of leverage, has fallen from 4.5x to 3.6x (as of 12/31/2024). These trends within MLP sector support modest distribution growth while facilitating the financing of capital expenditures to come from free cash flows. In 2025 and 2026, we believe MLP companies will continue to offer share buybacks and distribution growth.

Thus, we believe investors can continue to position their portfolios to benefit from the expected demand increases from artificial intelligence by gaining or retaining their exposure to MLPs. In addition, we believe the Republican sweep was viewed by the market as substantially positive for the midstream sector.

**Information and underlying data are sourced from Bloomberg as of 12/31/2024. The Alerian MLP Infrastructure Index is a composite of energy infrastructure Master Limited Partnerships (MLPs), whose constituents earn the majority of their cash flow from the transportation, storage, and processing of energy commodities. The index is calculated using a float-adjusted, capitalization-weighted methodology on a total-return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment. Opinions represented above are subject to change and should not be considered investment advice. This data was prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed.*

Jay D. Hatfield is CEO of Infrastructure Capital Advisors and is the lead portfolio manager of the Infrastructure Capital Bond Income ETF, InfraCap Small Cap Income ETF, InfraCap Equity Income Fund ETF, InfraCap MLP ETF, Virtus InfraCap U.S. Preferred Stock ETF, InfraCap REIT Preferred ETF and private funds. Infrastructure Capital Advisors, LLC (ICA) is an SEC-registered investment advisor that manages exchange traded funds (ETFs) and a series of private funds. The firm was formed in 2012 and is based in New York City. ICA seeks current income opportunities as a primary objective in most, but not all, of ICA's investing activities. For more information about the Funds, Fund strategies or InfraCap, visit icmllc.com.